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IN SEARCH OF A THEORY OF VALUE IN ECONOMICS:
A KEY TO THE CONSTRUCTION OF AN IDEAL SOCIETY

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1. The Collapse of Socialism and the Dead-End of Capitalism

The ideal society envisaged by Karl Marx was a classless society of affluence and freedom. However, the reality of socialism was, in all aspects, quite the opposite. The socialist societies established by Marxists fell into dictatorships where the people were ruled by violence and where the economy was enormously stagnated.

The Soviet socialism called Stalinism was nothing but a "socialism with a devilish face." Stalinism was not characteristic of the Soviet Union alone but common to all the socialist countries. The people who were trampled under Stalinism eagerly longed for a "socialism with a human face." Then, Mikhail Gorbachev entered the stage and aimed at the realization of this latter type of socialism. He promoted the policies called *Perestroika*, but his attempted reformation did not accomplish what he wanted. As a result, the Soviet Union collapsed in December 1991.

On the other hand, in the capitalist societies, there occurred such problems as the inequality of wealth and the alienation of laborers.

According to the classic economic theories since Adam Smith, enterprises were to be owned by capitalists, and laborers were not

supposed to participate in the management of the enterprises. The employed laborers were regarded as part of the means of production, and the wages paid to them were regarded as part of the cost of production.

In order to maximize the profits for the enterprises, the total cost had to be minimized. Therefore, the paramount task for management was to lower the wages as much as possible. When recession occurred, the laborers were easily dismissed. The wage differences between management and labor swelled disproportionately. That trend was remarkable, particularly, in the United States, the preeminent capitalist country.

As a result, alienated workers developed both resentment against management and indifference toward accomplishment. Thus, the problem of human alienation was not solved through capitalism. Furthermore, capitalist economies sometimes became turbulent as seen in the cases of the "Casino Economy" of the United States in the 1920s and the "Bubble Economy" of Japan in the 1980s. In both cases the economy boomed enormously but soon declined sharply.

Those two cases were the typical examples. What was common to both was the lack of ethics: in both, human greed precipitated tragedies.

Thus, it is obvious that capitalism, too, has inhuman faces. Today, socialism has collapsed, and capitalism is faced with a dead-end. Humankind has to search for a new idea which transcends both socialism

and capitalism and which can realize a truly ideal economy.

Such an idea, however, has not yet appeared.

2. The Defects of Traditional Theories of Value in Economics

What caused the economic stagnation and the collapse of socialist economy? In his book, "The End of Communism," Dr. Sang Hun Lee says that the abolition of the free market system, the blockage of free enterprises, the enforcement of planned management, the pursuit of expansionism, etc. were some of the causes. But he also says that an even more fundamental cause lay in the labor theory of value.

Similarly, Abram Bergson, an American expert on Soviet economy, indicates that this theory was the primary factor which prevented the growth of the Soviet economy. He states:

As a source of inefficiency in the functioning of these agencies, however, the formidable nature of their task has only been compounded by another factor not so clearly predicted in theoretic discussion even by critics. I refer to the strange economic principles which the superior agencies seem often to apply. These are the principles that are founded on the labor theory of value that Marx espoused...."(1)

Thus, it is Marx's labor theory of value rather than the magnitude of the task of superior agencies that accounts for another notable defect of Soviet industrial price formation: the failure at any time to account for interest on fixed capital and rent on scarce natural resources...."(2)

Then, what is the fundamental cause which brought about such things as the alienation of laborers and the casino economy (or the bubble economy) in capitalist economy? It is none other than the view of values established by Adam Smith on the premise that human beings seek profit on the basis of egoism. During the 1920s in the United States,

practices such as insider trading, investment in real estate and stock, "me-first" style management, hostile takeover, etc. were rampant.

As a result, the economy collapsed in 1929. Similar phenomena occurred in the United States during the 1980s, which was called by media as "the decade of greed and excess."(3)

Likewise, the 1980s in Japan was characterized by such things as mammonism, the logic of the strong, the belief in the omnipotence of market mechanism, etc. The decade was called "the gilded decade with ethical vacuum."(4)

The destruction of environment is also an outcome of the capitalist mentality which places profit above all other things. In other words, as capitalist economy grows, there inevitably occur problems such as pollution, acid rain, destruction of the ozone layer, the green-house effect, the destruction of forests, the flood of waste materials, and the desertification of land, etc.

According to Adam Smith, egoism is an essential human nature which motivates economic activities. The central proposition of his book, "The Wealth of Nations," which is regarded as a bible of capitalism, was the affirmation of egoism. Kenneth Lux, economist/psychologist, states that Adam Smith's economy based on human egoism has caused today's problems. He states:

Since the Industrial Revolution until today, egoism has incessantly brought about the pollution and exploitation of natural world.... Currently, after 200 years since "The Wealth of Nations," the society is beginning to realize that economic egoism has brought about those destructive results....(5)

3. The Necessity for a New Theory of Value

I have so far explained that the fundamental cause that brought about the stagnation and collapse of the socialist economy is Marx's labor theory of value, and that the fundamental cause of the problems in the capitalist economy is Adam Smith's theory of value which puts priority on making profit. Then, if there is a third approach which transcends these two, what kind of economy would it be? And, on what kind of theory of value would it be based?

Prof. Takamitsu Sawa, director of the Economy Research Institute at the University of Kyoto, points out the defects of traditional economics by saying that such things as the sale and purchase of antiques and old paintings, capital gain from stocks and land are not calculated as part of gross national product nor national income, but that the actual economy cannot be explained by ignoring them. Prof. Sawa states:

Most of the theories of conventional economics are established on the premise that economy is centered on production,... but they are not sufficient to analyze actual economy.(6)

He emphasizes the necessity of establishing a new economic theory that can even explain the bubble economy.

In his book, "The Future of Capitalism," Dr. Lester C. Thurow, professor of economics at MIT, argues that capitalism, which survived the struggles with socialism and communism, is itself faced with five fundamental challenges. He borrows two concepts from the physical sciences--plate tectonics from geology and punctuated equilibrium from biology. Thus, he regards those challenges as "economic tectonic

plates.” These are 1) the end of communism; 2) a technological shift to an era dominated by man-made brainpower industries; 3) a demography never before seen; 4) a global economy; and 5) an era where there is no dominant economic, political, or military power.

In order to overcome those challenges, capitalism needs new values.

Prof. Thurow states:

History shows us that it is not possible to run a good society without a balance between public and private. All public, the model of communism, does not work. All private, the model of feudalism, and the implicit model of capitalism, also does not work.... In the era ahead, capitalism will have to create new values and new institutions that allow a new strategic balance in each of these areas.(7)

According to Dr. Thurow, those new values and institutions will have to be able:

—To present a utopian vision that underlies some common goals that members of society can work together to achieve;

—To support necessary investments in education, R & D, and infra-structure to be generated;

—To shift capitalism from a consumption ideology to a builder's ideology;

—To tap into individuality and fundamental creativity;

—To make individuals want to use new technology to build a new society even when they do not, and cannot, know the precise outlines of those new societies; etc.(8)

Where and how can we find those values that can truly lead us to a better world in the next century? As Thurow puts it, "Like Columbus and his men, all of us aboard the good ship 'capitalism' are sailing into a new uncertain world..." "With similar persistence and willingness to attempt the unknown," he concludes, "let our journey begin!" (9)

4. The Theory of Value in Unification Thought

As explained above, socialism has now collapsed and capitalism is also faced with many problems. There is an urgent need for a new economics based on a new theory of value. I am convinced that this new economics can be developed on the basis of Unification Thought.

In his newly published book, "Toward Head-Wing Thought," Dr. Sang Hun Lee explains the Theory of Effect Value proposed in Unification Thought. Here I will briefly summarize its points.

How is exchange value (or commodity price) determined? Exchange value refers to the amount used to evaluate the achievement by the creative power invested in the commodity. In other words, it refers to the amount of evaluation about the creative power which has produced the utility of the commodity.

This amount of evaluation is what the producer (or seller) asks for as a reward for having actualized the utility. And, it is also the amount of satisfaction which the consumer (or buyer) expresses in currency for having received the utility of the commodity. Those two amounts are adjusted and finally agreed upon by the two parties.

The commodity's value is determined through the give-and-receive action between the producer (or seller) and the consumer (or buyer), centering on the commodity. This theory for determining value is called the "Effect Theory of Value," for the value corresponds to the amount of satisfaction (as a psychological "effect") received by both the producer and the consumer.

In determining value in this way, the desires to seek value --on

the part of both the producer and the consumer— are involved. At the time of the transaction, if the value is determined on the basis of self-centered desire (i.e., egoism), there can be an extraordinary variance in price. Conversely, if both the producer and the consumer base their negotiation on their original desire to pursue value, then the price can be determined appropriately. Here, the "original" desire means the desire to give joy to others first and then seek one's own joy afterwards.

Next, from the viewpoint of Unification Thought, the economic activity of producing a commodity is a form of creative activity. Therefore, it is similar to the creative works by God and human being.

God's creation was performed through the "two-stage structure of creation." Accordingly, human economic activities also exercise the same process. The two-stage structures in the process of God's creation and in the process of human economic activities are illustrated respectively in diagram 1 and diagram 2.

In the formation of the two-stage structure of creation, the starting point is Heart (love). Therefore, the motivation for starting economic activities should not be egoistic desires but rather true love, which desires to give joy to others and live for their sake.

The two-stage structure of creation consists of two four-position bases. In forming the first stage of the four-position foundation

(i.e., the inner four-position base) and the second stage (i.e., the outer four-position base), creative power is utilized. Specifically, imaginative power works in the stage and technical power works in the second.

Marx regarded labor power as the origin of value. Thus, he regarded the *Hyungsang* (external form) of the four-position base to be the determining factor of value. This corresponds to the second stage of creation and totally ignores the first.

In contrast to Marx, Peter Drucker, an American economist, and Alvin Toffler, a world-renowned social critic, think that knowledge is the source of value. For example, in "Managing for the Future," Peter Drucker states:

We now know that the source of wealth is something specifically human: knowledge. If we apply knowledge to tasks we already know how to do, we call it "productivity." If we apply knowledge to tasks that are new and different, we call it "innovation." Only knowledge allows us to achieve those two goals.(10)

From the Unification Thought point of view, however, both positions are one-sided. According to Unification Thought, knowledge corresponds to inner *Hyungsang* in the first stage of forming the four-position base. It plays an important role in the process of production. Actually, however, the original factor that produces value (or wealth) is the creative power. The creative power manifests itself as the designing power and the technical power. In order for economy to develop, the creative power must be fully utilized. For that purpose, it is necessary to receive education of knowledge for enhancing the designing power and education of

technology for enhancing the technical power. Also, in order to form the four-position base in the two-stage structure, it is necessary to 1) prepare infra-structure as the environmental condition, and 2) invest capital as energy.

Then, where does the creative power originate? It is given to human beings by God, the original source of life and love, through inspiration. Therefore, it is difficult to enhance creative power without God's guidance.

Also, God's creative power is based on His Heart (love). Therefore, ideally human economic activities also should be done on the basis of creativity and love.

I have briefly explained the Unification Thought view of economic values. This theory can surmount the defects of Marx's Labor Theory of Value and other theories of value in modern economics; it can unite both on a higher dimension. Moreover, it can be said that this theory can meet the conditions which, according to Prof. Sawa and Prof. Thurow, a new economics for the future must have. Therefore, it is expected that this new theory will become a basis of a new economics which can lead to a new age in the coming century.

NOTES

1. Abram Bergson, *Planning and Productivity under Soviet Socialism* (New York: Carnegie-Mellon University, 1968), p. 48.
2. *Ibid.*, p. 47.
3. Kenneth Lux, *Adam Smith's Mistakes: How a Moral Philosopher Invented Economics and Ended Morality* (Boston: Shambhalasha Publications, Inc., 1990), quoted from the Japanese edition, *Adam Smith no Shippai* (Tokyo: Soshisha, 1996), pp.102-104. Quotations in English are my translation.
4. Takamitsu Sawa, *Korekara-no Keizaigaku* (Economics Hereafter), (Tokyo: Iwanami Shoten, 1991), p. 55.
5. Kenneth Lux, *Adam Smith's Mistakes* (Japanese translation), p. 113.
6. Takamitsu Sawa, *Korekara-no Keizaigaku*, pp. 163-164.
7. Lester C. Thurow, *The Future of Capitalism* (New York: William Morrow and Company, 1996), p. 309.
8. See Thurow, *The Future of Capitalism*, pp. 279-327.
9. *Ibid.*, p. 327.

APPENDIX

Diagram 1: The Creation by God

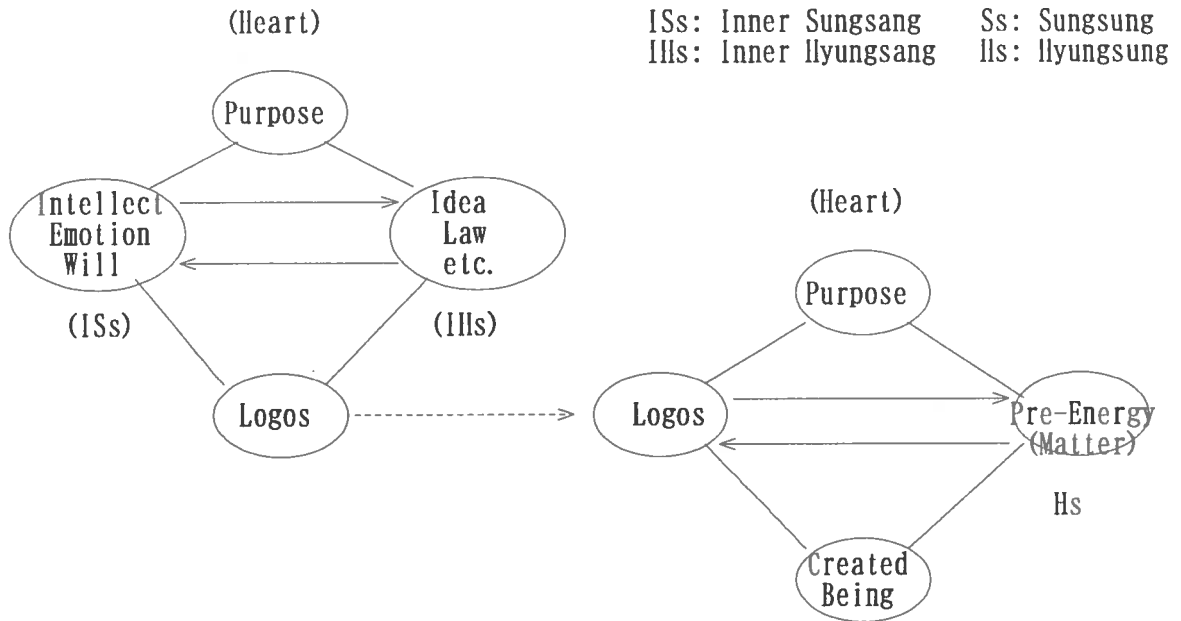


Diagram 2: The Creative Activities by Human Beings

